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Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE Washington, DC 20549-1090

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RE: Rulemaking for Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Dear Secretary Fields:

On behalf of Nouveau, thank you for the opportunity to submit these comments on the above referenced subject. We are a research and consulting firm that regularly submits such comments in matters of public interest. We ask that our comments be weighed carefully and considered in the SEC's deliberations regarding the rulemaking for Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Introduction

In July 2010, the U.S Congress passed the Dodd-Frank Wall Street Reform Act of 2010. Section 1504 of the Act requires companies registered with the SEC to publicly report all payments made to foreign governments. The final regulations implementing the Section were released in August 2011.

The move resulted in immediate litigation, and in July 2013, the United States District Court for the District of Columbia issued an order to vacate and remand the SEC's resource extraction rule (Am. Petroleum Institute. et al. v. SEC, CA No. 12-1668). The court found that (1) the SEC misread the statute to mandate public disclosure of the full annual reports; and (2) the SEC's decision to deny any exemption for disclosures prohibited under foreign law was arbitrary and capricious.

Comments

Please find below our comments in bullet point form for ease of reference:

- The proposed rule remains too closely similar to the initial rule vacated by the court in 2013 under Am. Petroleum Institute. et al. v. SEC, CA No. 12-1668. More specifically:

- The rule continues to require project-level public disclosure of payments without providing any exemptions for disclosures prohibited by foreign law. These are the grounds on which the Circuit Court invalidated the initial rule in 2013.

- The newly proposed rules would permit companies to satisfy their SEC disclosure obligations by using disclosures prepared for other jurisdictions (i.e., Canada and the EU), provided those jurisdictions have rules substantially similar to the SEC's own rules. This exemption provision, however, is based on the transparency measures adopted by Canada and the EU which were modeled on the SEC's initial rule vacated by the court.

- If carried through, the SEC's final rule has the potential to be one of the most costly and burdensome reporting requirements due to the following:

  - The proposed definition of "project" is vague, which could lead companies to expend significant time, effort, and resources reporting more than what the rule intended.

  - The $100,000 reporting threshold adopted by the SEC appears unreasonably low for companies working on projects of such a massive scale, compelling regulated parties to collect, compile, and standardize potentially thousands of different data points. Such a burdensome reporting requirement would have a compounding impact on costs without a corresponding benefit.

  - Large, publicly traded, internationally active oil and gas firms (the companies mainly targeted by this rule) are already required under the law to disclose vast amounts of information to public audiences. Thus the proposed rule is a solution to an issue already thoroughly addressed.

- Currently, a public disclosure program, known as the Extractive Industries Transparency Initiative (EITI), is in place where payments to foreign countries are compiled on a country-by-country basis. These reports, which go back more than a decade, include comprehensive data on all taxes, royalties, bonus bids, and licenses and concession fees paid annually to approximately 40 participating EITI countries. The U.S. was the first G8 country to earn candidate status in EITI in 2014, which the Obama Administration fully supported. The proposed SEC rule arguably renders the EITI program redundant.

- When determining whether particular information is "material" under federal law – thereby necessitating disclosure – the general rule is there must be a substantial likelihood that a reasonable investor would have considered the information important in making their investment decisions. This proposed rule fails to articulate a basis for meeting that standard.

- We are concerned that disclosing payments to foreign and subnational governments on what is effectively a per contract or project basis will severely disadvantage competition against state-affiliated firms internationally that are not subject to similar rules, thus, creating an unfair economic advantage to others.

- Given its potential consequences on international competitiveness, this rule has a significant potential to harm shareholder interests by affecting company performance.

Conclusion

Given the foregoing, it is our opinion that this rule remains significantly flawed in its current form and would be harmful to the investors that it is meant to benefit but also to the competitiveness of American industry and the regulatory framework by which it is bound. As written, however, the rule causes an unnecessary burden to businesses and sets a disturbing precedent, disclosing private and business sensitive information. Thank you for your time and consideration of these comments.

Respectfully,

Brigham A. McCown
Chairman & Chief Executive Officer
Nouveau Inc.